

Message Text

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INFO OCT-01 ISO-00 ACDA-05 ERDA-05 AF-06 ARA-06 EA-06

EUR-12 NEA-10 IO-10 FEA-01 USIE-00 AGR-05 CEA-01

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INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05

CIEP-01 SS-15 STR-04 TAR-01 TRSE-00 PRS-01 SP-02

OMB-01 INRE-00 NSCE-00 SSO-00 SAM-01 NRC-05 /145 R

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L:MR. BETTAUER

EUR/RPE: MR. LAMB

IO/SCI:MR. TREVITHICK

EA:MR. GLYSTEEN

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TO AMEMBASSY VIENNA IMMEDIATE

AMEMBASSY BRUSSELS IMMEDIATE

AMEMBASSY OTTAWA IMMEDIATE

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AMEMBASSY BONN IMMEDIATE

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AMEMBASSY ROME IMMEDIATE

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AMEMBASSY WELLINGTON IMMEDIATE

AMEMBASSY OSLO IMMEDIATE
AMEMBASSY MADRID IMMEDIATE
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AMEMBASSY ANKARA IMMEDIATE
AMEMBASSY LONDON IMMEDIATE
AMEMBASSY PARIS IMMEDIATE
AMEMBASSY BUENOS AIRES IMMEDIATE
AMEMBASSY CANBERRA IMMEDIATE
AMCONSUL RIO DE JANEIRO IMMEDIATE
AMEMBASSY TAIPEI IMMEDIATE
AMEMBASSY ATHENS IMMEDIATE
AMEMBASSY NEW DELHI IMMEDIATE
AMEMBASSY TEHRAN IMMEDIATE
AMEMBASSY TEL AVIV IMMEDIATE
AMEMBASSY SEOUL IMMEDIATE
AMEMBASSY MANILA IMMEDIATE
AMEMBASSY LISBON IMMEDIATE
AMEMBASSY PRETORIA IMMEDIATE
AMEMBASSY BANGKOK IMMEDIATE
AMEMBASSY CARACAS IMMEDIATE
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E.O. 11652:

TAGS: TGEN, ENRG

SUBJECT: PRESIDENTIAL DECISION ON U.S. ENRICHED URANIUM
CAPACITY

1. NEW YORK TIMES OF JUNE 19 CARRIED ARTICLE STATING THAT
"PRESIDENT FORD HAS DECIDED TO ASK FOR LEGISLATION TO
ALLOW THE PRODUCTION AND SALE OF ENRICHED URANIUM BY
PRIVATE INDUSTRY." ARTICLE GOES ON TO SAY THAT "TO ATTRACT
PRIVATE INVESTMENT INTO THE FIELD AND TO ASSURE CONTINUITY
OF SUPPLY, PRESIDENT FORD REPORTEDLY IS PROPOSING GOVERN-
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MENT GUARANTEES TO PRIVATE INDUSTRY. IF THIS ENRICHMENT
OPERATION OWNED BY PRIVATE BUSINESS FAILS, THE GOVERNMENT
WOULD BUY THE PLANT AND MEET ALL COMMITMENTS FOR SHIPMENTS
UNDER THE PRESIDENT'S PLAN, ACCORDING TO ONE OFFICIAL."

2. TIMES ARTICLE REFERS TO DECISION TAKEN BUT NOT REPEAT
NOT OFFICIALLY MADE PUBLIC TO UNDERTAKE PROGRAM AIMED
AT EARLY PRIVATE CONSTRUCTION AND OWNERSHIP OF NEW U.S.

ENRICHMENT FACILITIES, BOTH FOR GASEOUS DIFFUSION AND CENTRIFUGE PLANTS, CONSISTENT WITH THE THRUST OF THE U.S. PRIVATE ENTRY POLICY INITIATED AND PUBLICLY ANNOUNCED IN 1971. PLANS ARE BEING MADE FOR A PRESIDENTIAL STATEMENT TO BE MADE ON OR ABOUT JUNE 23 TO 25 WHICH WOULD OFFICIALLY ANNOUNCE THIS DECISION AND TRANSMIT NECESSARY LEGISLATIVE PROPOSALS TO CONGRESS.

3. GIVEN THE INCREASED CONCERNS OF FOREIGN CUSTOMERS OVER THE RELIABILITY OF THE U.S. AS A SUPPLIER OF ENRICHED URANIUM FUEL, STIMULATED IN LARGE PART BY THE "CONTRACT MORATORIUM" INSTITUTED LAST SUMMER, WE WOULD EXPECT THIS CLEAR DECISION BY THE ADMINISTRATION TO MOVE VIGOROUSLY AND CREDIBLY TO CONSTRUCT NEW CAPACITY FOR FOREIGN AS WELL AS DOMESTIC USERS WILL BE WELL RECEIVED ABROAD. THE U.S. CONTINUES TO ASCRIBE A VERY HIGH IMPORTANCE TO REMAINING AN ATTRACTIVE AND RELIABLE SUPPLIER OF ENRICHMENT SERVICES FOR OTHER COUNTRIES AND WE BELIEVE A CAREFUL EXAMINATION OF THE PROPOSED NEW PLAN WILL DEMONSTRATE THAT MAJOR STEPS TO PRESERVE THIS ROLE ARE BEING ENVISIONED. WITH FOREIGN AND DOMESTIC INTERESTS VERY MUCH IN MIND A CENTRAL FEATURE OF THE PRESIDENTIAL PLAN WOULD BE ASSURANCES TO ALL CUSTOMERS BY THE USG THAT CONTRACT OBLIGATIONS OF PRIVATE ENRICHERS WILL BE ASSUMED BY USG IN THE VERY UNLIKELY EVENT THAT THE ANTICIPATED PRIVATE VENTURES WOULD NOT BE ABLE TO FILL ORDERS ON TIME AND AS NEEDED. SHOULD BE STRESSED THAT THE U.S. BELIEVES IT POSSESSES THE MOST ADVANCED ENRICHMENT TECHNOLOGY IN THE WORLD AND WE HAVE A VERY HIGH CONFIDENCE THAT THE NEXT INCREMENTS OF U.S. CAPACITY TO BE BUILT BY PRIVATE INDUSTRY WILL BE PLACED ON STREAM ON A TIMELY BASIS. THE PROPOSED U.S. GUARANTEES THAT WOULD BACK-UP THIS CONFIDENCE SHOULD ELIMINATE ANY CONSUMER UNCERTAINTY LIMITED OFFICIAL USE

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TIES REGARDING SUPPLY.

4. THE UEA ORGANIZATION WITHIN THE U.S. WOULD BE THE CANDIDATE FOR CONSTRUCTING THE NEXT INCREMENT OF ENRICHMENT CAPACITY USING GASEOUS DIFFUSION TECHNOLOGY TO BE OPERATIONAL IN THE EARLY 1980S. THERE IS EVERY CONFIDENCE THAT THIS PLANT WILL BE INSTALLED ON A TIMELY BASIS SINCE IT WILL DRAW AND BENEFIT FROM OVER TWENTY YEARS OF PROVEN AND EFFECTIVE EXPERIENCE BY THE U.S. IN OPERATING THREE MAJOR DIFFUSION COMPLEXES. AS A FOLLOW-ON, UNDER THE PLAN, IT IS ANTICIPATED THAT PRIVATE ORGANIZATIONS WOULD SUCCESSFULLY BE ABLE TO CONSTRUCT COMMERCIAL-SCALE CENTRIFUGE FACILITIES FOR INITIAL OPERATION IN THE MID-1980S. THE U.S. BELIEVES ITS CENTRIFUGE TECHNOLOGY, WHICH OFFERS MANY ATTRIBUTES, IS NOW READY TO BE SCALED-

UP TO COMMERCIAL USE AND SEVERAL U.S. PRIVATE GROUPS ARE READY TO ASSUME THIS RESPONSIBILITY. OPPORTUNITIES FOR FOREIGN INVESTMENT IN THESE FACILITIES WOULD BE AVAILABLE. THEY WOULD NOT INVOLVE NOR NEED TO INVOLVE FOREIGN ACCESS TO U.S. CLASSIFIED TECHNOLOGY. THE U.S. PLANTS WOULD REMAIN UNDER U.S. REGULATORY CONTROL AND WOULD BE SUBJECTED TO RIGOROUS SAFEGUARDS AND PHYSICAL SECURITY MEASURES. SENSITIVE FEATURES WOULD REMAIN CLASSIFIED. ALSO, ALL

EXPORTS OF ENRICHED URANIUM WOULD REMAIN SUBJECT TO APPROPRIATE U.S. AGREEMENTS FOR COOPERATION, SAFEGUARD ARRANGEMENT, AND EXPORT LICENSES.

5. ABOVE IS PROVIDED AS PRELIMINARY BACKGROUND ONLY. POSTS SHOULD NOT REPEAT NOT COMMENT ON ACCURACY OF NEW YORK TIMES OR OTHER PRESS REPORTS ON THIS MATTER. AS SOON AS EMBARGO IS LIFTED AND ANNOUNCEMENT IS MADE, SPECIFIC GUIDANCE WILL BE ISSUED TO PERMIT POSTS TO CONVEY CLEARLY TO HOST GOVERNMENTS AND INDUSTRY THE PURPOSE AND CONTENT OF THE PRESIDENT'S DECISION WHEN IT IS OFFICIALLY ANNOUNCED. EMBASSY MAY NOTE, HOWEVER, THAT IT UNDERSTANDS A PRESIDENTIAL ANNOUNCEMENT ON THIS SUBJECT IS IMMINENT. IN THIS REGARD EMBASSY MAY REFER TO THE FOLLOWING PARAGRAPH FROM ADDRESS GIVEN BY THE SECRETARY BEFORE THE INTERNATIONAL ENERGY AGENCY IN PARIS ON MAY 27:

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"WE MUST ENSURE THAT NEEDED URANIUM ENRICHMENT FACILITIES ARE CONSTRUCTED ON SCHEDULE. IN THIS REGARD, THE UNITED STATES RECOGNIZES ITS RESPONSIBILITY TO CONTINUE PROVIDING NUCLEAR FUEL UNDER LONG-TERM CONTRACT. OUR POLICY IS TO BRING INTO BEING - PREFERABLY BY PRIVATE INDUSTRY BUT BY THE FEDERAL GOVERNMENT IF NECESSARY - ADDITIONAL ENRICHMENT CAPACITY WHICH WILL ENSURE ADEQUATE FUTURE SUPPLY. NEGOTIATIONS ARE NOW UNDERWAY WITH A POTENTIAL PRIVATE SOURCE. THESE DISCUSSIONS WILL PROCEED QUICKLY, AND BY JUNE 30 THE PRESIDENT WILL DECIDE WHICH COURSE OF ACTION, PRIVATE OR PUBLIC, IS IN THE BEST INTERESTS OF OUR OWN COUNTRY AND THOSE ABROAD WHO RELY ON US. WE WILL THEN BE IN A POSITION TO ACCEPT LONG-TERM ORDERS." KISSINGER

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